



BUDGET MEMO #37

DATE: April 26, 2013

TO: The Honorable Mayor and Members of the City Council

FROM: Robert Sisson, City Manager *rs*

SUBJECT: Impact of a COLA vs. Merit Steps

During a recent discussion of the FY14 budget, a Councilmember proposed granting all employees a 1.5% COLA (cost of living adjustment) effective July 1.

The COLA adjustment is different from “merit” pay. Merit pay is an annual amount (currently 5%) that an employee is granted, given successful evaluation, for the initial 12 years of employment. After the employee reaches the top of the scale, he or she will stay at that pay level unless or until they change jobs or the job is reclassified.

The cost of a 1.5% COLA for FY14 is \$450k (\$300k per percent) and the cost of the resumption of a merit step for eligible employees in FY14 is \$375k.

While both of these compensation adjustments have benefit, the COLA is preferred inasmuch as it benefits the entire workforce with a slight improvement in salary where the merit pay will only affects those who have not reached the top of the pay scale.